Can Corp

CANADA NORTHWEST LAND LIMITED

79th ANNUAL REPORT

1971

DIRECTORS:

H.G. Gammell	Calgary, Alberta
N.E. Goodman	Montreal, Quebec
D.W. Hilland	Calgary, Alberta
J.S. Lawson	Calgary, Alberta
J. Poscente	Calgary, Alberta
L.A.M. Reford	Montreal, Quebec
M.S. Reford	Aylmer East, Quebec
Rt. Hon. Lord Shaughnessy	Montreal, Quebec
M.M. Sinclair	Toronto, Ontario

OFFICERS:

H.G. Gammell	President
J. Poscente	Vice-President
Rt. Hon. Lord Shaughnessy	Vice-President & Secretary
D.W. Hilland	Assistant Secretary
M.J. Khan	Comptroller

BANKERS:

Royal Bank of Canada

TRANSFER AGENTS:

Canada Permanent Trust Company, Calgary, Toronto & Vancouver

AUDITORS:

Clarkson, Gordon & Co.

LISTINGS:

Toronto and Vancouver Stock Exchanges

HEAD OFFICE:

920 Three Calgary Place, 355 - 4th Avenue, S.W., Calgary 1, Alberta

The Annual Meeting of the Company will be held in the Jasper Room of the Calgary Inn, Calgary, Alberta, at 2:00 P.M., April 10th, 1972.

CANADA NORTHWEST LAND LIMITED

HIGHLIGHTS:

	1971	1970
OPERATIONS		
OIL PRODUCTION (in barrels)		
Working Interest (net after royalties)	72,301	51,775
Share of Production from Freehold Titles	76,872	69,196
Total	149,173	120,972
NET ACREAGE (excluding carried interests)		
Freehold Titles	261,153	242,459
P & NG Leases, Permits & Gas Licences	1,158,118	1,357,787
Mineral Claims and Permits	27,220	142,649
FINANCIAL		
Gross Revenue	$ 457,152	$ 405,514
Cash Flow	$ 202,454	$ 144,847
Per Share	12¢	9¢
Shares Outstanding	1,736,830	1,628,830

TO OUR SHAREHOLDERS:

During the past year our company achieved substantial growth in income, reserves and exploratory activities. Expenditures on both acquisitions and exploration were higher with funds being provided from cash flow, bank and other borrowings, and the issuance of treasury shares. As in previous years, emphasis was placed on acquiring other companies whose assets combined a balance of production and wildcat land in areas of potential. Further exploratory exposure at low cost was provided by a program of selective land acquisition and subsequent farmout for exploration and development by others. Increasing attention was given to sedimentary basins around Europe because of their exploration potential, proximity to markets, and availability of exploration concessions. Exploratory activity in these areas is expected to increase as political troubles beset normal supply sources in the Middle East and Africa.

In 1971 demand for Canadian gas and oil grew more quickly than economically accessible reserves. For the first time in recent history, Western Canada produced more oil and gas than it discovered. However, the level of exploration continued to rise despite uncertainties regarding government policy on taxation, gas export and foreign ownership, as well as a lack of discovery stimulus. This reflected optimism over the discovery potential and forecasts of even greater future demand. By the end of the year new discoveries in the Arctic and East Coast offshore and the establishment of the new tax structure by Parliament has somewhat improved the atmosphere. The former should help satisfy doubts over security of supply for domestic needs and open the door for further exports at a later date.

During the year Canadian crude oil prices remained stable. The decrease in surplus productive capacity in the United States and continued growth in demand there, as well as in Canada, will probably result in strong upward pressure on domestic crude prices to match imported crude prices.

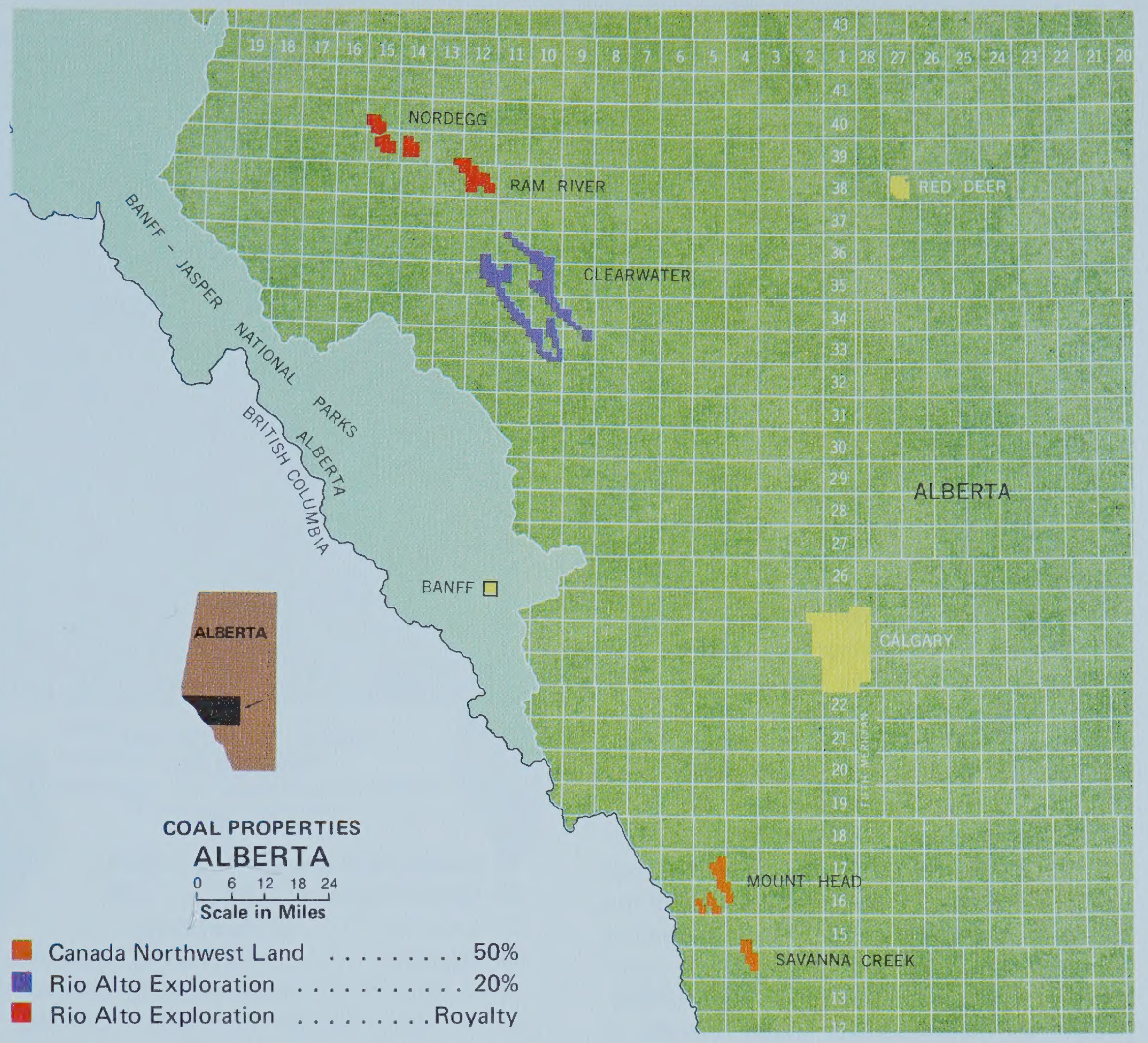
Despite the government's refusal to allow greater gas exports, gas prices were firmer reflecting growing domestic demand and competition amongst natural gas purchasers. The United States gas deficit, which was 800 Bcf. in 1970, is expected to increase by seven times by 1975, all of which could be supplied from Canada if the reserves can be found. The combination of sharp demand growth, intensifying buyer competition, and growing pressure for gas prices to match the prices of competitive fuels could result in a doubling of natural gas prices over the next few years. Relating gas to competitive fuels on a B.T.U. basis, at current prices, natural gas can produce heat at roughly one-third the cost of oil and half of the cost of manufactured gas and coal.

As a very large portion of our company's assets consist of gas reserves and acreage in gas areas, the selling price has become of great significance. For example, our gas reserves, at current price levels, could produce $16 million in revenue over their life and our oil reserves could produce about half of this. The relative effect on the worth of our company, from a doubling of gas prices compared to a one-third increase in crude prices, is obvious.

Because gas is sold under long-term contracts at fixed prices while oil is sold essentially on a spot basis, our management's present policy is to hold gas reserves shut-in and maintain cash flow from oil reserves. Our company, with its substantial gas reserves not committed to any purchaser, is likely to experience a better than average growth in value over the next few years. However, it must be borne in mind that cash flow is not likely to fully reflect inherent asset values during the next two years.

FINANCIAL:

In 1971 gross revenue grew by 13% to $457,000 reflecting a 41% increase in gas and oil sales to $160,000 and a 20% improvement in royalty income to $192,000. Higher crude prices, as well as acquisitions and development, were responsible for the gains. General and administrative costs were lower by 20% resulting in a cash flow of $202,000 (12¢ a share), 28% higher than in 1970. Non-cash charges remained level and a net income of $34,000 (2¢ a share) was achieved. Growth expenditures of almost $2,000,000 were 54% higher, with corporate acquisitions accounting for approximately two-thirds of the total and exploration expenditures the remainder.



CORPORATE ACQUISITIONS

RED DEER MINERALS LTD.

In March 1971 our company exchanged 6% of its shares for a 35% interest in Red Deer Minerals Ltd. This company owns interests in 60,000 acres of freehold titles in central Alberta and its oil and gas reserves will produce a cash flow of about $30,000 in 1972. Red Deer Minerals utilizes its cash flow to participate in our company's exploration and development plays.

Red Deer Minerals owns 25% of Rio Alto Exploration Ltd., whose main asset is a royalty interest in 64,000 acres of coal leases in the Clearwater and Ram River areas of Alberta under exploration by major companies. Exploration is also being conducted over mineral claims in southeastern British Columbia at White Lake, Swansea and Bull River (adjoining Placid Oil's new copper mine), over a 15,000 acre copper prospect at Sooke on the southern tip of Vancouver Island and over a nickel-copper discovery at Perry River on the Arctic Coast.

PAWNEE PETROLEUMS LTD.

All of the shares of this private Alberta company were acquired in December for cash and a non-interest bearing ten-year debenture. Pawnee holds an average 70% interest in 58,000 acres of leases and permits and 18 shut-in gas wells in the Hilda area of the Medicine Hat gas field as well as 28,600 acres of freehold titles and royalty under another 25,300 acres of freehold titles in southern Alberta. The Hilda lease block adjoins gas production and will be developed when a gas sales price acceptable to management has been negotiated. Income from lease rentals and royalties owned by Pawnee is about $25,000 a year and working capital is $40,000.

POSTERITY PETROLEUMS LTD.

All of the shares of this private Alberta company were acquired in November for cash derived from bank production loans. Posterity holds producing interests in the Weyburn and Parkman oil fields in Saskatchewan and the Joffre and Turner Valley oil fields in Alberta. Cash flow is approximately $120,000 a year and working capital is $113,000.

EXPLORATION AND DEVELOPMENT

CANADA

WESTLOCK:

An average 50% interest in 24,000 acres just north of Edmonton along the east side of the Westlock producing gas field was acquired during the year. Two gas wells have been drilled on the acreage and further drilling will take place in 1972.

TWEEDIE:

In March half of our shut-in gas reserves in this field were sold to Inter-City Gas Limited of Winnipeg for the sum of $550,000 and subsequently four gas wells were drilled. In 1971 the Syncrude proposal for an extraction plant at the Athabasca Tar Sands was given government approval. This development proposal is expected to substantially enlarge markets for these reserves.

CYNTHIA:

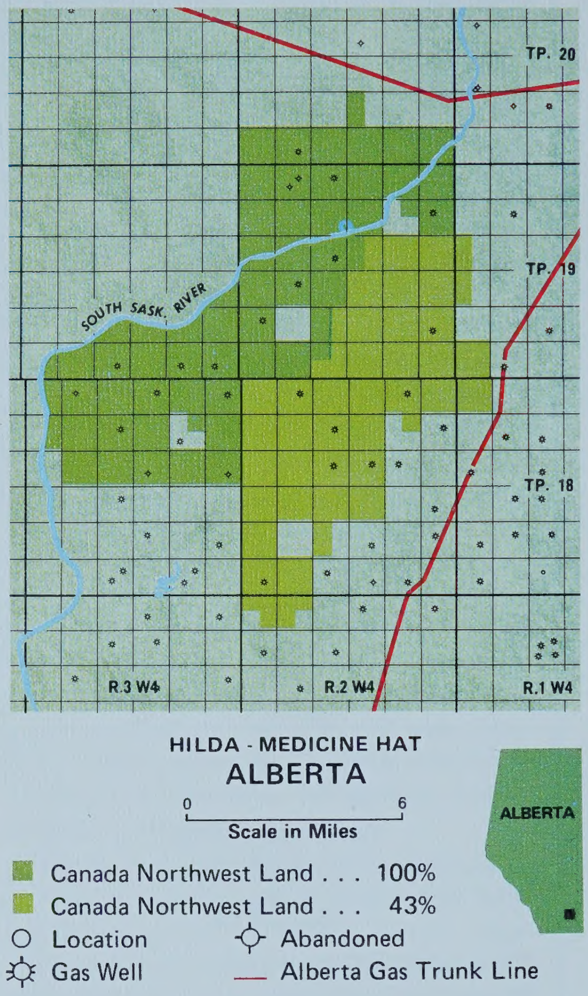
During the year interests were acquired in 5,000 acres in the Cynthia sector of the Pembina Cardium sand pool, offsetting production. Portions of the block were farmed out and four oil wells were drilled. Our company retained a net interest of 30% after payout of costs.

FREEHOLD TITLES:

Leases were granted to other companies on additional Saskatchewan freehold titles. Acreage under lease totalled 67,000 acres compared with 64,000 at the end of 1970. The operators of the Weyburn Unit, our company's largest single source of income, are considering plans for increasing production through infill drilling and increased water injection.

FRONTIER AREAS:

The year was a good one for explorers in the Arctic and East Coast offshore areas. Panarctic and Imperial Oil Limited reported two gas discoveries each in the Arctic Islands and on the Mackenzie River Delta and Mobil Oil reported a gas and oil discovery on Sable Island off Nova Scotia. Our company holds interests in over 2 million acres of permits in these areas and should share in the results of increasing exploration activity there.



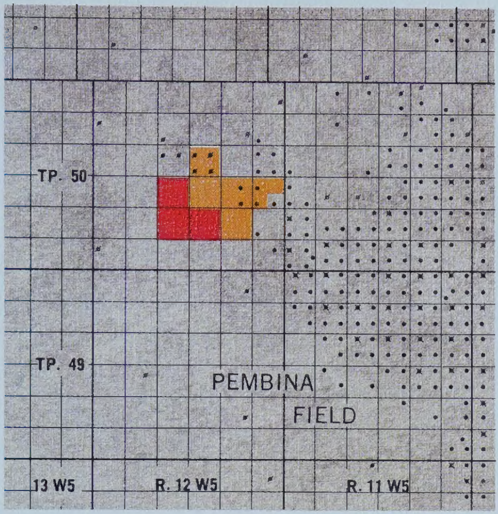
FOREIGN

NORTHERN MONTANA, U.S.A.:

Our company acquired a 37½% interest in 20,000 acres close to the Alberta-Montana border. It is expected that four holes will be drilled in this spread during the first half of 1972. Experimentation will continue during early 1972 on methods to recover additional oil reserves through secondary recovery methods from the Kevin-Sunburst oil field.

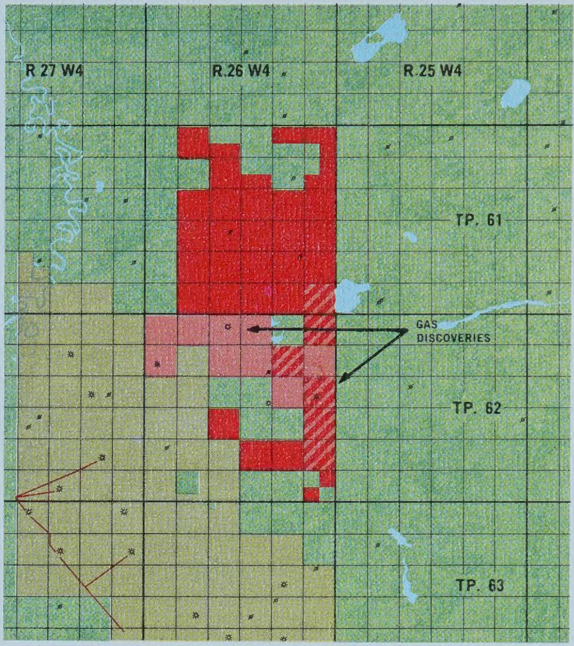
TUNISIA:

Three blocks of permits totalling 3.6 million acres were farmed out in 1971 to a group of North American and European explorers in return for a $5 million work commitment. Two of the blocks lie offshore in the Gulf of Gabes and the Gulf of Tunis and one lies onshore in the southern desert on the Algerian border.



CYNTHIA - PEMBINA
ALBERTA
0 6
Scale in Miles

- Canada Northwest Land 75%
- Canada Northwest Land 30%
- Location
- Suspended
- Oil Well
- Abandoned



WESTLOCK
ALBERTA
0 6
Scale in Miles

- Canada Northwest Land . . . 66-2/3%
- Canada Northwest Land . . . 50 %
- Canada Northwest Land . . . 33-1/3%
- Westlock Gas Unit
- Gas Well
- Abandoned
- Gas Gathering System

Recent oil discoveries by French companies, rumoured to be capable of production of 15,000 to 20,000 barrels per day, lie within 15 miles east and 80 miles northwest of the Gulf of Gabes blocks. Our company holds a 1% carried interest in these blocks.

CONCESSION APPLICATIONS:

Our company put together groups during 1971 to acquire geophysical surveys and, using these and other data, to apply for certain offshore concessions south of Sicily and in the United Kingdom sector of the North Sea. Awards are expected to be announced early in 1972. Similar applications were made for offshore concessions off the east coast of Spain.

MINERAL EXPLORATION

The Hingston-Down tungsten-tin project in Cornwall is being explored by our company and its partners. Underground exploration for bulk sampling is underway. Coal permits at Mount Head and Savanna Creek were converted to lease.

RESERVES

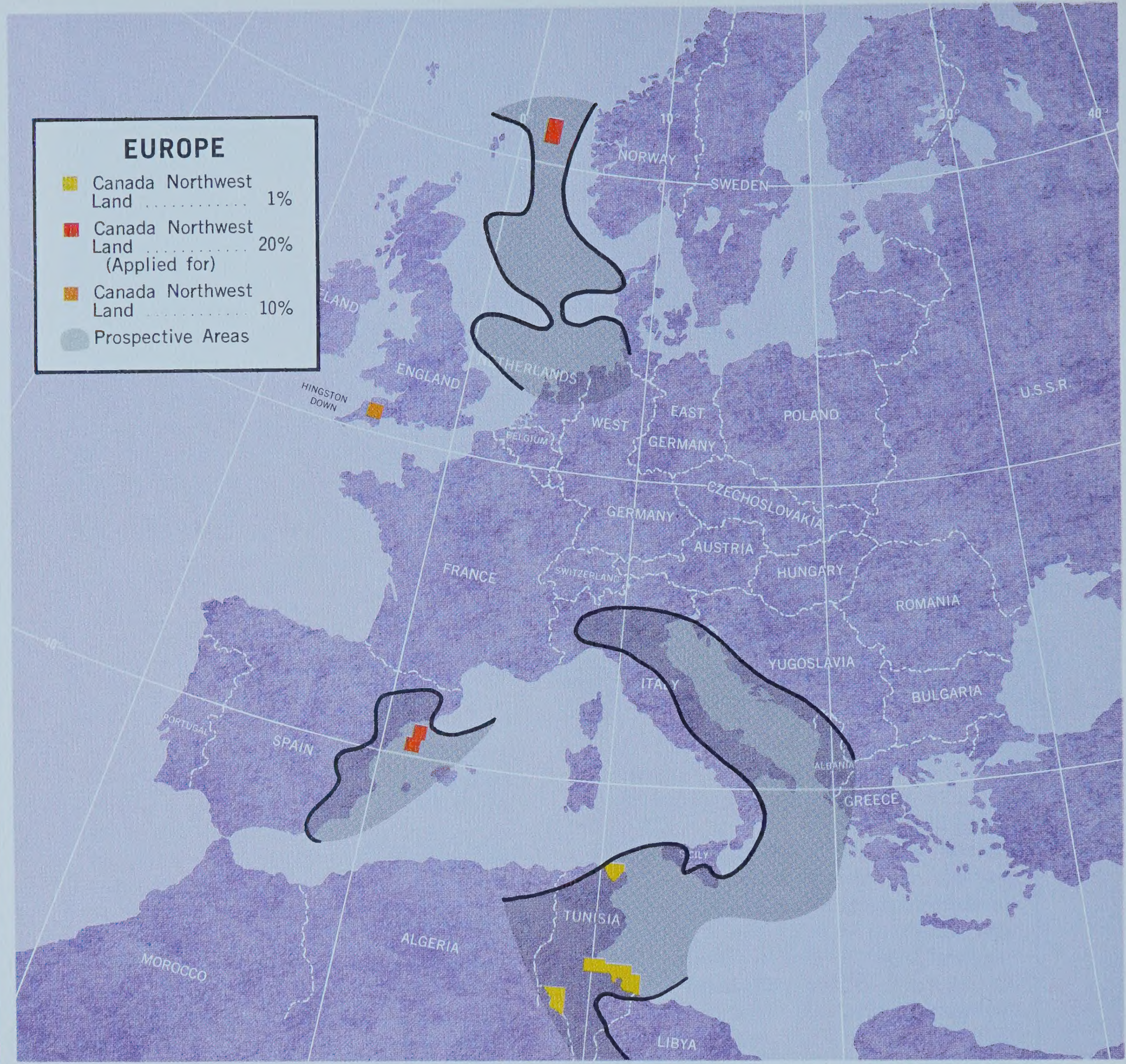
Our company's proven and probable reserves of gas doubled during the last year, despite the sale of half of the Tweedie reserves. This was due to acquisitions at Hilda, South Medicine Hat, Turner Valley and Westlock and development at Tweedie. Similarly, oil reserves doubled due to acquisitions at Cynthia, Joffre, Weyburn, Wapella and Parkman.

1971

	Gas MMCF	Oil Barrels
Proven	43,457	2,341,100
Probable	61,621	50,300
Total	105,078	2,391,400

1970

	Gas MMCF	Oil Barrels
Proven	30,203	958,800
Probable	13,071	51,100
Total	43,274	1,009,900



OTHER

In 1971 Messrs. J.M. Alston and H.J. Mockler resigned from the Board of Directors. Mr. Alston's place on the Board was filled by Mr. J. Poscente, who was also appointed a Vice-President. Both directors were instrumental in guiding the company during its formative period and their contribution during that difficult period is greatly appreciated.

The shares of the company are now listed under the oil sections of the Toronto and Vancouver Stock Exchanges.

For the information of shareholders concerned with Canadian capital gains taxes, the official valuation day (December 21st, 1971) price of the common shares of our company was $1.50.

The company employees are to be commended for their very material contribution to the growth of the company during the last year.

H G Gammell

H.G. GAMMELL,
President.

EXPLORATORY ACREAGE

PETROLEUM & NATURAL GAS WORKING INTERESTS

	1971 Gross	1971 Net	1970 Gross	1970 Net
Canada				
Alberta:				
Freehold titles	65,430	24,946	6,548	6,548
Leases, permits & licences	201,452	111,415	90,792	50,886
	266,882	136,361	97,340	57,434
Saskatchewan:				
Freehold titles	202,308	202,308	202,308	202,308
Leases	9,400	5,675	8,330	4,013
	211,708	207,983	210,638	206,321
Manitoba:				
Freehold titles	33,899	33,899	33,603	33,603
Leases	160	80		
	34,059	33,979	33,603	33,603
Arctic Islands permits	1,358,829	855,496	1,358,829	855,496
Hudson's Bay permits			884,564	250,592
Flemish Cap permits, East Coast	352,763	176,381	352,763	176,381
	1,711,592	1,031,877	2,596,156	1,282,469
U.S.A.				
Montana:				
Leases	22,011	9,071	37,029	10,414
Total P. & N.G. Working Interests	2,246,252	1,419,271	2,974,766	1,590,241

PETROLEUM & NATURAL GAS CARRIED INTERESTS (UP TO 1½%) (GROSS ACRES)

	1971	1970
Canada		
Beaufort Sea	307,408	307,408
Ft. Norman and Beaver River, N.W.T.	148,019	148,019
Flemish Cap	43,462	43,462
Tunisia	3,600,000	3,600,000
Total P. & N.G. Carried Interests	4,098,889	4,098,889

MINERAL WORKING INTERESTS

	1971 Gross	1971 Net	1970 Gross	1970 Net
Canada				
Alberta:				
Coal leases & permits	13,200	6,600	23,040	11,520
British Columbia:				
Mineral claims	3,000	600	3,000	600
Northwest Territories:				
Exploration permits and claims	38,040	19,020	407,115	130,529
U.K.				
Cornwall:				
Mineral claims	11,000	1,000		
Total Mineral Interests	65,240	27,220	433,155	142,649


GREELY FIORD
VENDOM FIORD
LOUGHEED ISLAND
MELVILLE SOUND
BEAUFORT SEA
ALASKA
FT. NORMAN
YUKON
NORTHWEST
TERRITORIES
BEAVER RIVER
BRITISH COLUMBIA
ALBERTA
NEPTUNE
HOUSE MTN.
TWEEDIE
WESTLOCK
CYNTHIA
SASKATCHEWAN
MANITOBA
AVON HILL
JUMPING POUND
HILDA
WAPELLA
WEYBURN
WASHINGTON
MONTANA
NORTH DAKOTA
MINNESOTA
60
120°
100°


NORTH AMERICA
Petroleum & Natural Gas Interests
Mining Properties
Area of Concentration of Freehold Titles
Sedimentary Basins
Up to 600 Foot Water Depth
FLEMISH CAP

CANADA NORTHWEST LAND LIMITED CONSOLIDATED

ASSETS

	1971	1970
CURRENT:		
Cash and term deposits	$ 31,905	$ 71,399
Accounts receivable	152,262	140,748
Due from affiliate	94,312	
Notes receivable	85,000	79,951
Marketable securities — at cost (market value: 1971—$46,500; 1970—$40,800)	31,334	31,354
Materials and supplies—at cost	7,920	6,438
	402,733	329,890
INVESTMENT IN AFFILIATE:		
Shares — at cost (Note 4)	324,000	
Advances	36,000	
	360,000	
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 3):		
Oil and gas properties — at cost, less accumulated depletion (1971—$433,533; 1970—$303,625)	3,763,903	2,859,637
Production and other equipment — at cost less accumulated depreciation (1971—$108,444; 1970—$84,510)	274,023	217,448
	4,037,926	3,077,085
OTHER ASSETS:		
Refundable deposits and other investments at cost	102,987	81,013
Unamortized debenture and share issue expenses (Note 2)	70,618	79,525
	173,605	160,538
	$4,974,264	$3,567,513

See accompanying notes.

BALANCE SHEET DECEMBER 31, 1971 AND 1970

LIABILITIES

	1971	1970
CURRENT:		
Accounts payable	$ 192,679	$ 137,844
Note payable	75,000	
Current portion of long term debt (Note 3)	166,554	52,500
	434,233	190,344
LONG TERM DEBT (Note 3)	1,942,594	1,138,030
SHAREHOLDERS' EQUITY:		
Capital (Note 4) —		
Authorized:		
3,000,000 2% non-cumulative redeemable, preferred shares of a par value of $1		
6,000,000 common shares of no par value		
Issued:		
1,736,830 common shares (1970—1,628,830 shares)	1,748,049	1,424,049
Retained earnings	849,388	815,090
	2,597,437	2,239,139
	$4,974,264	$3,567,513

On behalf of the Board:

W.G. Gammell Director

J. Proposente Director

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Revenue:		
Oil and gas sales and other operating revenues	$431,998	$349,481
Investment and sundry income	25,154	56,033
	457,152	405,514
Deduct:		
Operating expense	70,718	55,447
General and administrative expense (net of management fees)	123,102	149,795
Mineral taxes	15,878	15,988
Interest on Series A Debentures	45,000	39,437
	254,698	260,667
Cash income from operations	202,454	144,847
Deduct:		
Depletion	107,436	112,771
Depreciation	14,313	12,378
Amortization of debentures and share issue expenses	8,907	8,907
Deferred interest on Series B Debentures (Note 3)	37,500	32,030
	168,156	166,086
Income (loss) for the year before income taxes	34,298	(21,239)
Recovery of prior year's income taxes		22,810
Net income for the year (Note 5)	$ 34,298	$ 1,571
Net income per share	2¢	—

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Balance at beginning of year	$815,090	$813,519
Net income for the year	34,298	1,571
Balance at end of year	$849,388	$815,090

See accompanying notes.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Source of funds:		
Cash income from operations	$ 202,454	$ 144,847
Issue of debentures		1,100,000
Issue of common shares	324,000	615,000
Notes payable	256,984	
Bank loan	197,000	
Non-interest bearing note	313,080	
Sales of interests in gas properties	586,301	
Recovery of prior year's income taxes		22,810
	1,879,819	1,882,657
Application of funds:		
Investment in shares of subsidiary companies	1,139,158	626,128
Less working capital (deficiency) at dates of acquisition	158,618	(68,039)
	*980,540	694,167
Investment in affiliated company	360,000	
Expenditures on oil and gas properties —		
Drilling and exploration	363,795	324,440
Acquisition costs and rentals	289,836	210,262
Expenditures on production and other equipment	34,720	97,093
Refundable deposits and other investments	21,974	10,631
Share and debenture issue expenses		68,644
	2,050,865	1,405,237
Increase (decrease) in working capital	$ (171,046)	$ 477,420

*Principally oil and gas properties.

See accompanying notes.

CANADA NORTHWEST LAND LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1971

1. Principles of consolidation and acquisition of subsidiaries.

The consolidated financial statements include the accounts of Canada Northwest Land Limited and all of its subsidiaries.

During the year the Company acquired all of the outstanding shares of Posterity Petroleums Ltd. effective November 1, 1971 and of Pawnee Petroleums Ltd. effective December 1, 1971, for a total cash consideration of $1,139,158. These acquisitions have been accounted for as purchases and accordingly the consolidated financial statements include the results of operations of these companies from the effective dates of acquisition. The excess of $840,903 of the purchase price over the net book value of the assets acquired is attributable to oil and gas properties and is included therein in the accompanying consolidated balance sheet.

2. Accounting practices.

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. Depreciation of production equipment is .provided on the composite unit-of-production basis.

Debenture and share issue expenses have been deferred and are being amortized as follows:

Share issue expenses over a five year period.

Debenture issue expenses over the term of the debenture.

3. Long term debt.

	1971	1970
7½% Convertible Debentures		
Series A	$ 600,000	$ 600,000
Series B (including deferred interest of $69,530; 1970—$32,030)	569,530	532,030
Note payable	313,080	
Non-interest bearing note, due $28,554 annually	285,538	
Bank loans, repayable in monthly instalments of $11,500	341,000	58,500
	2,109,148	1,190,530
Less amounts due within one year	166,554	52,500
	$1,942,594	$1,138,030

The Debentures are due February 23,1985 and are convertible into common shares of the Company at $3.00 per share to February 23, 1972; $4.30 per share to February 23, 1977 and $8.60 per share to February 23, 1982 and are redeemable at the option of the Company as follows: Series A at prices varying from 107.5 in 1971 to par in 1985 and Series B at 105.5 commencing in 1975 and thereafter at prices varying to par in 1985.

The Debentures are secured by a first floating charge on all of the Company's undertaking, property and assets, both present and future, and the Trust Indenture contains restrictions concerning, among other things, the incurring of additional debt and the payment of dividends and provides for annual sinking fund payments of $100,000 commencing in 1975. Under the terms of the Series B Debentures, the payment of interest thereon may be deferred until 1975.

The note payable of $313,080 was due on January 14, 1972, and settlement was made from the proceeds of additional long term bank borrowings.

The bank borrowings are secured by the assignment of production from certain oil and gas properties and bear interest at rates varying from ¾% to 1¼% in excess of the prevailing prime bank interest rate (6% at December 31, 1971).

4. Share capital.

During the year, the Company issued 108,000 common shares at a stated value of $324,000 in exchange for 404,000 common shares (35%) of Red Deer Minerals Ltd.

At December 31, 1971, 479,537 of the Company's common shares were reserved as follows:

85,000 shares for options granted to officers of which options on 70,000 shares are exercisable at $2.20 per share to December 31, 1973 and options on 15,000 shares are exercisable at $1.55 to December 31, 1975;

20,000 shares for options granted to employees exercisable at $1.55 per share to December 31, 1975;

366,667 shares for the conversion of the 7½% Convertible Subordinated Debentures and;

7,870 shares for the conversion of fractional shares outstanding.

5. Income taxes.

For income tax purposes, the companies are entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges to income. As a result, no income taxes are payable in respect of income reported for the year ended December 31, 1971 and at that date accumulated expenditures of $1,725,000 were available to be carried forward and applied against future taxable income.

The companies believe that tax allocation accounting as recommended by the Canadian Institute of Chartered Accountants is not appropriate in the oil and gas industry and accordingly no provision has been made for deferred taxes on timing differences. If the tax allocation basis had been followed, deferred income taxes would have been provided in 1971 in the amount of $7,600 and net income for the year would have been reduced accordingly. For 1971 capital cost allowances claimed are not significantly different from depreciation recorded in the accounts.

The accumulated income tax reductions relating to all timing differences in the current and prior years amounted to $81,400 at December 31, 1971 and $73,800 at December 31, 1970.

6. Directors and officers.

The Company has nine directors and five officers. Four of the officers are directors.

The following remuneration is charged in the consolidated statement of income for the year ended December 31, 1971 in respect of directors and officers of the Company.

Directors, as directors	$ 3,600
Officers, as officers	$51,000

7. Commitments.

The companies have issued non-interest bearing demand notes and letters of credit to the Government of Canada and others as security for the performance of work obligations by the companies in respect of normal exploration activity. The aggregate of such notes amounted to approximately $225,000.

AUDITORS' REPORT

To the Shareholders of
Canada Northwest Land Limited.

We have examined the consolidated balance sheet of Canada Northwest Land Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 16, 1972.

Clarkson, Gordon & Co.
Chartered Accountants.

THE CANADA NORTH WEST LAND COMPANY, Limited.

REPORT

OF THE BOARD OF DIRECTORS

AND

ACCOUNTS,

31ST MARCH, 1883.

NOTICE IS HEREBY GIVEN that the Annual Ordinary General Meeting of the Company will be held at the City Terminus Hotel, Cannon Street, London, **on Friday, the 29th of June, 1883,** at One o'clock in the afternoon, to receive the Directors' Report and Statement of Accounts; to elect Directors; to consider the question of declaring a Dividend, and for other business.

The Transfer Books of the Company will be closed from Friday, the 15th June, until Friday, the 29th June instant, both days inclusive.

Transfers will not be received at the office while the Books remain closed.

By order of the Board,

A. J. BAKER,
Secretary.

75, LOMBARD STREET,
LONDON.
8th June, 1883.

The above is a reproduction of the company's first annual report printed in 1883. A comparison with this year's report reflects the changes which have taken place in corporate shareholder reporting customs over the years.

WESTERN/CALGARY
LITHO'D IN CANADA

CANADA

CANADA NORTHWEST LAND LIMITED
CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
For The Six Months Ended June 30, 1971
(Unaudited)

SOURCE OF FUNDS		
Operations:		
Net loss for the period		$ 39,719
Less non-cash charges for:		
Depletion	$ 72,973	
Depreciation	9,383	
Amortization of debenture and share issue expenses	4,762	
Debenture interest deferred	18,750	105,868
Funds provided from operations		66,149
Proceeds on sale of oil and gas properties		578,133
Proceeds on issue of common shares		324,000
Total funds provided		$968,282
APPLICATION OF FUNDS		
Expenditures on fixed assets	337,319	
Investments and other assets	339,861	
Reduction of long term debt	8,000	685,180
Increase in working capital for period		283,102
Working Capital December 31, 1970		118,496
Working Capital June 30, 1971		$401,598

CANADA NORTHWEST LAND LIMITED
920, Three Calgary Place,
355 - 4th Avenue S.W. Calgary 1, Alberta.

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Globe & Mail,
Report on Business,
140 King St. W.,
TORONTO, Ont.

INTERIM REPORT

CANADA NORTHWEST LAND LIMITED

CNW

Six Months Ending
June 30th, 1971

Corp repra

To Our Shareholders:

First half 1971 revenues reached $189,000, an 8% gain over the similar 1970 period. The main gains were in production, up 45% due to acquisitions of new wells and higher prices, and in royalties up 15% due to new wells and higher prices. Cash costs rose by 22% to $122,600 reflecting higher interest and administrative costs due to larger staff, additional programs and borrowings. Some of these 1971 costs will be recovered in later months through charges to partners. Cash flow declined by 11% to $66,000 reflecting these higher costs. Higher non cash charges for depreciation and depletion due to substantial additions to acreage and shut-in gas reserves resulted in a loss for the six months of $40,000 compared with $6,700 last year.

Another successful gas well has been drilled at Tweedie bringing our Company's total well count in that field to 15. Earlier in the year a half interest in the property was sold for $550,000. Two wells are currently producing and discussions are being held with potential gas purchasers.

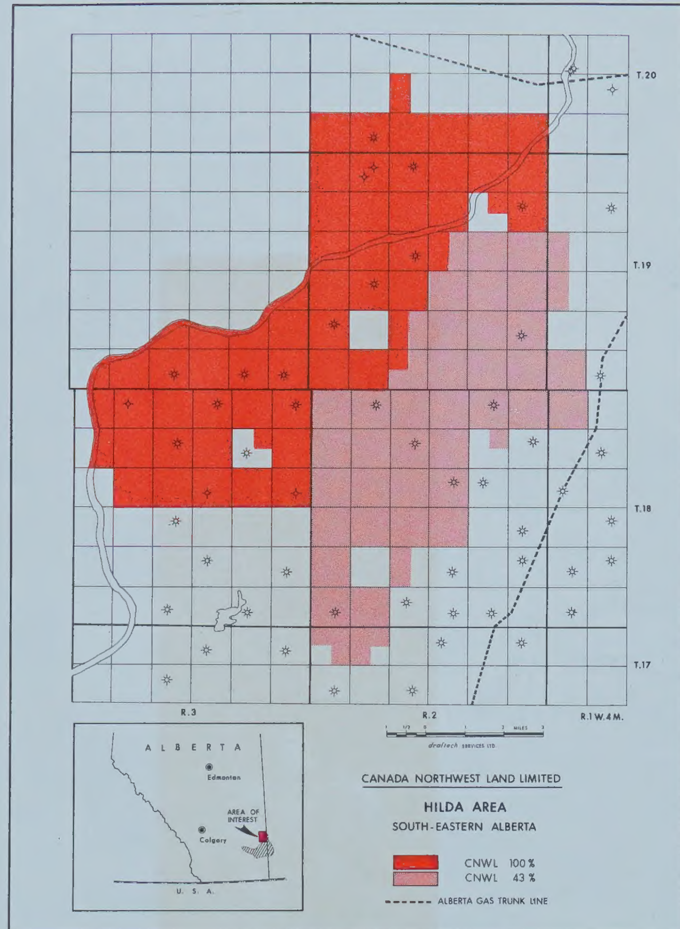
An option has been completed to acquire 58,000 acres of leases and 17 capped gas wells in the northern part of the Medicine Hat gas field of southeastern Alberta. The property adjoins the producing sectors of the field. A new well has been drilled on the acreage and experiments with improved production methods are being conducted before a decision is made to exercise the option.

Our Company has purchased a one section producing lease at Wapella in east central Saskatchewan, where remedial work is being carried out.

A seven section block of leases was purchased at Cynthia, offsetting production in the western portion of the Pembina field. Four sections have been farmed out for the drilling of four wells, of which two have been completed as producers and a third is currently drilling. Our Company retains a royalty interest convertible to a 40% working interest after payout of the farmees costs.

Negotiations are proceeding with a large Italian company to exchange a 3% royalty under certain of their properties onshore in Italy and offshore in the Adriatic Sea for a similar royalty on Canada Northwest's Arctic and East Coast permits. The amounts of acreage in both cases are similar, being approximately 900,000 acres.

Applications have been made for exploration permits in offshore areas of Sicily and the United Kingdom sector of the North Sea. Our Company acquired geophysical surveys and formed the groups to make the applications, and will end up with a 20% interest in any permits granted.



The Tunisian concessions have been farmed out to others for an extensive exploration program. Three oil discoveries have recently been made in the Gulf of Gabes area, one on land 50 miles to the north, and two offshore, 25 miles north and east of one of the permits. Canada Northwest has a 1% carried interest in these concessions.

As of September 1st our Company's share listing on the Toronto Stock Exchange will be changed from the Industrial to the Oil section in view of the Company's increased emphasis on oil exploration. Application for listing on the Vancouver Stock Exchange is also being made.

August 26, 1971

H. G. Gammell,
President.

CANADA NORTHWEST LAND LIMITED
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	6 months ended June 30, 1971 $	6 months ended June 30, 1970 $
Revenue:		
Royalties	92,511	79,654
Production	68,244	47,075
Rents & Bonuses	7,201	15,072
Investments	3,061	8,211
Other	17,724	24,810
	$188,741	$174,822
Expenses:		
Production	29,873	24,065
Administration (Net of Management Fees)	57,285	46,314
Mineral Taxes	8,209	12,050
Interest: Series A Debentures	22,500	13,750
Other	4,725	4,401
	$122,592	$100,580
Income Before Following:	66,149	74,242
Depletion	72,973	55,223
Depreciation	9,383	5,847
Amortization of Debenture and Share Issue Expenses	4,762	8,419
Deferred Interest on Series B Debentures	18,750	11,450
	$105,868	$ 80,939
Net Loss for the Six Months	$ 39,719	$ 6,697

Canada Northwest Land Limited

NOTICE OF ANNUAL GENERAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting and Special General Meeting of the Shareholders of Canada Northwest Land Limited will be held in the Lake Louise Room of the Calgary Inn in the City of Calgary, Alberta, Canada, on the 15th day of April, 1971, at the hour of 2:00 P.M. mountain standard time, for the purpose of:

1. Receiving and considering the report of the directors, the financial statements for the fiscal year ended December 31st, 1970 and the auditors report thereon.
2. Electing directors for the ensuing year.
3. Appointing Clarkson, Gordon & Co. as auditors for the ensuing year.
4. Transacting such other business as may properly be brought before the meeting.

AND NOTICE IS HEREBY GIVEN that the said meeting will also be held for the purpose of considering, and if thought fit, sanctioning, and confirming By-Law No. 29 of the Company enacted by the Directors on 11 May 1970 as follows: –

> "Be it enacted and it is hereby enacted as By-law No. 29 of the Company that the provisions of article 3 of By-law No. 26 be and the same are hereby amended to provide that the number of Directors of the Company shall be ELEVEN (11), all other provisions of the said article of the said By-law No. 26 remaining in force."

The Board of Directors has fixed April 12th, 1971 as the record date for the determination of registered shareholders entitled to attend and to vote at the said Annual General and Special General Meeting and any adjournment thereof and only shareholders of record on that date shall be entitled to attend such meeting and to vote thereat.

Information Circular

THE ENCLOSED PROXY IS SOLICITED BY AND ON BEHALF OF THE MANAGEMENT OF THE COMPANY

This information circular is furnished in connection with the solicitation by the management of Canada Northwest Land Limited of proxies to be used at the Annual General and Special General Meeting of shareholders of this Company to be held on Thursday, April 15th, 1971, in the Lake Louise Room of the Calgary Inn in the City of Calgary, Alberta, for the purposes set forth in the accompanying notice of meeting and such proxies, if duly executed and returned, will be voted at the meeting and any adjournments thereon in accordance with the instructions contained therein. The persons designated in the enclosed form of proxy are Directors of the Company. A shareholder desiring to appoint any other person to represent him at the meeting may do so by striking out the names of the persons designated and by substituting such other person's name in the blank space provided in the form of proxy.

Any shareholder executing a proxy may revoke it at any time prior to its use by instrument in writing duly executed and deposited with the chairman of such meeting on the day of the meeting, or any adjournment thereof.

The cost of sending notices of the Annual General and Special General Meeting and soliciting proxies for the meeting will be paid by the Company.

The Company has authorized capital of 3,000,000 preferred shares with a par value of $1.00 each, none of which are issued and outstanding, and 6,000,000 common shares of no par value of which 1,628,830 are issued and outstanding, and each share carries one vote. The Directors have fixed April 12th, 1971 as the record date for the determination of the persons entitled to attend and vote at the meeting or any adjournment thereof and only shareholders of record at the close of business on that date will be entitled to so attend and vote. In addition to the above issued and outstanding shares, 7,870 shares have been reserved and allotted for issue to holders of fractional vouchers.

ELECTION OF DIRECTORS AND INFORMATION AS TO NOMINEES

Under the Company's Act of Incorporation as amended, the qualification of a member of the Board shall be the holding in his own right of 100 shares of the capital stock of the Company. The persons named in the enclosed form of proxy will vote such proxy for the election of the eleven nominees named below, ten of whom are currently directors of the Company and whose term of office will expire at the meeting. In the event any of the nominees shall become unable to serve as a director the proxy will be voted in accordance with the best judgement of the person or persons acting under it.

The names of all the nominees, together with a tabulation showing: (1) his principal occupation or employment, and the name of the corporation or organization in which such occupation or employment is carried on; (2) the period during which he has served as a Director: (3) the approximate number of shares of this Company's stock of which such Director was directly or indirectly the beneficial owner on February 26th, 1971; and (4) any other offices of the Company held by him, are as follows:

Name	Position with the Company and other Principal Occupation	Year First Elected	Shares Beneficially Owned as of February 26th, 1971	Convertible Bonds Beneficially Owned as of February 26th, 1971
H. G. Gammell	President of the Company	1962	34,000	$56,000
Rt. Hon. Lord Shaughnessy	Vice-President and Secretary of the Company, President W. S. Hodge Paper Co. Ltd.	1957	6,200	
D. W. Hilland	Assistant Secretary, Partner, McLaws & Company, Barristers & Solicitors for last 5 years	1970	43,994	
M. S. Reford	Vice-President, Geoterrex Ltd.	1964	66,520	$54,000
N. E. Goodman	Partner, Beutel, Goodman & Co. Investment Counsel	1969	500	
H. J. Mockler	President, Merrill Island Mining Corp. Ltd.	1969	100	
M. M. Sinclair	Director, Cochran Murray & Co.	1969	2,000	
L. A. M. Reford	Vice-President Robt. Reford Co.	1969	1,000	
J. M. Alston	Manager of Operations of the Company	1969	47,120	
J. S. Lawson	Independent Oil Operator last 2 years; previous 3 years, President Wilson Oilfield Supply Ltd.	1970	30,449	
J. Poscente	Land Manager of the Company; President Red Deer Minerals Ltd. last 2 years; previous 3 years, Landman Great Plains Development Co. Ltd.		10,000	

REMUNERATION AND ESTIMATED COST OF PENSION BENEFITS OF OFFICERS AND DIRECTORS

The direct aggregate remunderation paid or payable by the Company and its subsidiaries during the Company's last completed financial year ended December 31st,1970, to the Directors in their capacity as Directors, officers and employees was $59,282.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company together with Francana Oil & Gas Limited (Participants) acquired through a wholly owned subsidiary, the right of Savanna Creek Gas & Oil Limited (Savanna) to participate in one-half of the production from certain Petroleum and Natural Gas Leases covering 3500 acres in Montana. Under the terms of the agreement the Participants are obligated to drill a test well on the said lands at their sole cost and expense. Upon completion of the test well the Participants have the right to carry out a water flood of the area for secondary recovery purposes. The Participants are then entitled to all of the net income from the production therefrom until they have recovered their costs and thereafter to one-half of the income therefrom. In addition the Company lent to Savanna $25,000.000 without interest and received an option to acquire 200,000 common shares of Savanna at 30¢ per share. Savanna also has the right to acquire all of the issued and outstanding shares of the corporation which has the right to participate in the remaining one-half of the production from these Montana leases. This right has not been assigned to the Company.

John M. Alston, a Director and Manager of Operations of the Company is a Director of Savanna and owns beneficially and of record 600,000 common shares of Savanna, which has 4,322,500 common shares issued and outstanding.

OPTIONS

The President has been granted an option to purchase up to 70,000 common shares at a price of $2.20, exerciseable by December 31st, 1973. The Manager of Operations holds an option to purchase up to 35,000 common shares to $2.20, exerciseable on an annual basis by December 31st, 1973.

APPOINTMENT OF AUDITORS

At the meeting, action will be taken upon the appointment of Clarkson, Gordon & Co., as auditors of the Company at a remuneration to be fixed by the Board of Directors. Clarkson, Gordon & Co. have been auditors for the last four years.

OTHER MATTERS

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. The management knows of no such amendment, variation or other matters which may properly be presented at the annual meeting, but if other matters do properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy according to their best judgment.